Registered No: 4537212

Build-A-Bear Workshop UK Limited

Report and Financial Statements

For the 52 Week Period Ended 29 January 2022

Contents

Company Information

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Strategic Report

The directors present their strategic report and financial statements for the 52 week period ended 29 January 2022 (referred to as 2021 throughout).

Review of the business

The company is a speciality multi-channel retailer offering a "make your own stuffed plush bear" interactive retail-entertainment experience.

Build-A-Bear Workshop UK Limited is a wholly-owned subsidiary of Build-A-Bear Workshop Inc., the leading and international company providing a "make your own stuffed animal" interactive retail-entertainment experience.

As at 29 January 2022, Build-A-Bear Workshop UK Limited operated 42 retail stores (40 corporately managed and two third party concessions) in United Kingdom and Republic of Ireland and our webstore, Buildabear.co.uk.

All our corporately managed stores and third-party concessions were temporarily closed between January to April/May 2021 due to government regulations and policies designed to manage the Covid-19 pandemic. Once reopened all stores continued to operate with restrictions, such as modified processes, reduced operating hours and/or capacity restrictions through to the end of January 2022.

COVID-19 pandemic

The Covid-19 pandemic continued to have a significant impact on our ability to operate and trade through to May 2021. We are classed as a "non-essential retailer" under the UK and Republic of Ireland Governments Covid-19 pandemic response.

"Non-essential retailers" remained closed through to mid/late April 2021 for United Kingdom stores (where most of our corporately managed stores are located) and our Republic of Ireland stores were closed through to mid-May 2021. During this time, the only sales channel available to our customers was our webstore.

As a company we continued to focus on minimising the detrimental impact on our financial performance by furloughing 100% of the workforce in our stores and 50% of the head office workforce whilst our stores were temporarily closed. The company utilised the UK Government's Covid-19 support Job Retention Scheme during this period.

Due to the strong relationships with our landlords, it has allowed us to obtain further abatements on our lease rent payments across our store estate whilst they were temporarily closed. For Build-Bear-Workshop our landlord/tenant relationship is very important, and we continue to work together now the COVID-19 pandemic restrictions have ended to encourage footfall and sales in our stores.

We continued to access UK Government's other Covid-19 financial support schemes including business rates reduction, deferral of VAT payments, business grants and restart grants during the first half of 2021.

Build-A-Bear Workshop offers interactive entertainment experiences via both physical and e-commerce engagement, targeting a range of consumer segments and purchasing occasions through digitally-driven, diversified omnichannel capabilities. We operate a vertical retail channel with stores that feature a unique combination of experience and product in which guests can "make their own stuffed animals" by participating in the stuffing, fluffing, dressing, accessorising and naming of their own teddy bears and other stuffed animals. We also operate e-commerce sites that focus on gift-giving, collectible merchandise and licensed products that appeal to consumers that have an affinity for characters from a range of entertainment, sports, art, and gaming properties. Our engaging digital purchasing experiences include our online "Bear-Builder" and an age gated adult-focused "Bear Cave". Our retail stores also act as "mini distribution centres" that provide efficient omnichannel support for our growing digital demand.

Strategic Report (continued)

The primary consumer target for our retail stores is families with children while our ecommerce sites focus on collectors and gift givers that are primarily tweens, teens and adults. We have also extended our business model by leveraging our brand strength and owned intellectual properties through the creation of engaging content for kids and adults while also offering products at wholesale and in non-plush consumer categories via outbound licensing agreements with leading manufacturers.

We seek to provide outstanding guest service and experiences across all channels and touch points including our stores, our e-commerce sites, our mobile sites and apps as well as traditional, digital and social media. We believe the hands-on and interactive nature of our stores, our personal service model and engaging digital shopping experiences result in guests forming an emotional connection with our brand which has multi-generational appeal that captures today's zeitgeist including desire for experience, personalization and "DIY" while being recognized as trusted, giving, and a part of pop culture.

The key financial performance indicators during the period are as follows:

	52 week period ended 29 January 2022	52 week period ended 30 January 2021	Change
	£'000	£'000	%
Turnover	37,623	25,338	48.5%
Cost of sales	12,403	3,713	234.0%
Selling and distribution costs	22,158	20,899	6.0%
Fixed asset impairment (reversal)/expense	(140)	128	(209.4%)
Onerous lease (reversal)	(597)	(3,268)	(81.7%)
Intercompany receivable impairment	27	282	(90.4%)
Administrative expenses	2,920	2,306	26.6%
Intercompany management fee	559	351	59.3%
Foreign exchange loss /(gain)	212	(392)	(154.1%)
Operating profit	81	1,319	(93.9%)
Profit after tax	1,363	4,196	(67.5%)

The continuation of UK Government Covid-19 restrictions during the first half of 2021 ensured that our UK stores were temporarily closed through to the mid/late April 2021 and operated under a variety of restrictions through to the end of January 2022. Store sales increased by 86.6% compared to 2020, whilst e-commerce sales saw of a small decline of 7.4%. The total company turnover was 48.5% better than 2020. During 2021 we closed seven stores (four discount outlet stores and three traditional stores).

2021 was the second year of the temporary arrangement with the US parent company where, if required based on market conditions, support payment discounts, as determined from reference to an arm's length benchmark study, are provided to Build-A-Bear Workshop UK Limited.

Strategic Report (continued)

In the case where market conditions have stabilised the arrangement also allows the U.S. parent to recoup all or portions of the support payment discounts. In 2021 Build-A-Bear Workshop UK Limited delivered an operating profit of £81,000 and under the terms of the temporary agreement made a payment of £625,000 to its US parent company.

Selling and distribution costs increased by £1,259,000 because of the stores trading for more months in 2021 than in 2020 partially offset by the continued Covid-19 support from the UK Government furlough scheme and landlords.

Store occupancy costs reduced by £180,000 due to reduction in rent costs following discussions with our landlords, improved terms on lease renewals, store closures and continued Covid-19 support via a reduction in business rates.

Retail payroll costs increased by £562,000 compared 2020 due to stores trading for more months in 2021 than in 2020. Marketing and supplies increased by £949,000 as the business reintroduced its marketing strategy for the stores. Store Repair & Maintenance increased by £79,000 and Utilities increased by £86,000 compared to the previous year due to the increase in electricity costs and the stores trading for more periods.

Once our stores reopened our customers have shown a great willingness to return to our stores and enjoy the Build-A-Bear Workshop experience in person which has been reflected in our turnover. The increase in turnover in our stores has naturally led to a small decrease in turnover through our webstore and in the autumn of 2021 "Click n Collect" was launched in the stores as well as "Ship From Store" option for orders placed using the webstore. The turnover associated with both "Click n Collect" and "Ship From Store" web orders are assigned to the retail store which fulfilled the order and are not recorded as webstore turnover. The evolving way in which our customers engage and purchase from us has meant that the profitability of our stores has improved and along with improved store lease costs has meant onerous lease provision was reduced by £597,000 and allowed for £140,000 reversal in the fixed assets impairment provision. Administrative expenses were higher by £614,000 mainly caused by £331,000 increase in head office payroll related costs including annual bonus and long-term incentive payments relating to 2020. The remaining increase was primarily due to the £253,000 bad debt recorded relating to various payments due from franchises across the world.

We saw a small increase of £27,000 in our intercompany provision due to additional costs for the two subsidiary companies in Denmark and China which are no longer trading.

Our US parent company increased its Intercompany Management Fee by £208,000 compared to 2020 to reflect increased levels of head office support to the BABWUK.

The company saw a loss on foreign exchange of £212,000, a £604,000 increase in costs compared to 2020.

The company delivered a Profit after tax of £1,363,000 for the period compared to a profit of £4,196,000 in the prior year.

Build-A-Bear Workshop UK Limited continued to access the Covid-19 support grant schemes for furloughing staff and business restart grants available for non-essential retailers during the first half of 2021. The total value attributable to 2021 was £1,286,000, whilst in 2020 was £2,470,000.

Section 172 statement

In accordance with section 172 of the Companies Act 2006, each of our directors acts in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act).

This s172 statement explains how the directors have engaged with employees, suppliers and customers, communities and key stakeholders. Decisions taken by the company directors during the financial year are made whilst considering employee interests, the need to maintain and build

Strategic Report (continued)

upon the company's relationships with our suppliers and customers, how to positively impact the communities where we operate and fairly engage with key stakeholders.

When making decisions, each director ensures that he/she acts in a way he/she considers, in good faith, would most likely promote the company's success. The directors understand the company and the evolving environment in which we operate, including the challenges of transitioning from a traditional store-based retail brand company to a brand company where retailing is one part of the company strategy.

Our purpose and strategy

Currently, we primarily operate specialty stores that provide a "make your own stuffed animal" interactive entertainment experience in which guests, with the help of our associates, visit a variety of stations to "assemble" and customize a stuffed animal. Our concept is a unique combination of experience and product and we are focused on enhancing our brand equity while meeting the needs of customers by offering a relevant selection of premium products that meet high quality standards and are on trend. In addition, products are sold through e-commerce sites, third-party retail locations. Our store experience appeals to a broad range of age groups and demographics, including children, as well as their parents and grandparents, teens, adult collectors and gift givers as well as affinity customers. We seek to provide outstanding guest service and experiences across all channels and touch points including our stores, our e-commerce site, our mobile sites and apps as well as traditional and social media.

We believe there are opportunities to leverage the strength of the Build-A-Bear brand to generate incremental revenue and profits given the high customer recognition and strong positioning as a trusted, high quality brand that is emotionally connected with both children and their parents through expanded programs including outbound branded licensing and entertainment, which may positively impact other channels of distribution.

Our employees

The directors recognise that BABW employees are fundamental to the success of our business and to the delivery of strategic objectives. The success of the business depends on attracting, developing, motivating and retaining employees. Whilst ensuring we remain a responsible employer, from pay and benefits to health and safety in the workplace environment, the directors consider the implications of decisions on the employees where relevant and feasible.

Business relationships

To deliver our strategy requires maintaining strong relationships with our key suppliers. We do not own or operate any factories that produce our skins, clothing, shoes or accessories. For the past two years, we purchased approximately 80% of our merchandise from four vendors with whom we have enjoyed multi year relationships. Similarly, our future success depends, in part, on the popularity and consumer demand for brands of licensors such as Disney, LucasFilm, Marvel, Hasbro and The Pokémon Company.

Our customers are central to our business strategy. We seek to provide outstanding customer service and experiences across all channels and touch points including our stores, our e-commerce site, our mobile sites and apps as well as traditional and social media. Customers visit our stores for multiple reasons including interactive family experiences, birthdays, parties and other milestone occasions as well as to purchase gifts. We believe the hands-on and interactive nature of our store and interactive service model result in customers forming an emotional connection with our brand.

Strategic Report (continued)

Impact on communities

The company places heart at the centre of everything we do, and the Build-A-Bear Foundation seeks to add a little more heart to life for those in need. We use our position to create positive change for the people and communities where we operate.

Stakeholders

During the year the Board received information to enable them to consider the impact of the company's decisions on its key stakeholders. This information was distributed in a range of different formats, including through reports and presentations on our financial and operational performance, non-financial KPIs and risk. We acknowledge that every decision made will not necessarily result in a positive outcome for all our stakeholders and the Board frequently must make difficult decisions based on competing priorities. By considering the company's purpose and values, together with its strategic priorities we aim to balance those different perspectives.

Principal risks and uncertainties

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially affect our operations. The risks, uncertainties and other factors set forth below may cause our actual results, performances or achievements to be materially different from those expressed or implied by our forward-looking statements. If any of these risks or events occur, our business, financial condition or results of operations may be adversely affected.

The COVID pandemic has had, and is continuing to have, an impact on our business and results of operations. At the peak of the COVID outbreak, many of our corporately managed and franchised stores were closed. Once the stores were allowed to reopen we saw an increase in our store sales, compared to the corresponding months in FY20, and sales grew stronger in Q4 as consumer confidence returned in time for Christmas trading. The Company continues to monitor the situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The extent to which the pandemic may impact our operational and financial performance remains uncertain and will depend on many factors outside of our control, including the timing, extent, trajectory and duration of the pandemic, the emergence of new variants, the development, availability, distribution and effectiveness of vaccines and treatments, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for our products. Additional future impacts may include, but are not limited to, material adverse effects on demand for our products and interactive experience, supply chain operations disruptions, our ability to execute strategic plans and to predict future performance, and our financial performance and profitability. To the extent COVID adversely affects our business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in the remainder of this section.

In the U.K., we compete with several retailers including The Entertainer Toy Shop, Smyths Toys Superstores and Hamleys Toy Store. Since we sell a product that integrates merchandise and experience, we also view our competition as any company that competes for family time and entertainment discretionary spending, such as cinemas, shopping centre-based entertainment venues and online entertainment. With the majority of our stores currently operating in traditional shopping centres, we also compete with other retailers, including various apparel, footwear and specialty retailers, for prime centre locations.

While we invest in integrated marketing efforts and believe we are more of a destination location than other retailers, we rely to a great extent on retail customer traffic in the malls and tourist locations in which our stores are located. Traffic to tourist locations in general has been reduced and may continue to be negatively impacted by COVID, which might disproportionally affect our

Strategic Report (continued)

business relative to other retailers that have locations in more traditional settings or that have a greater mix of online sales ordering. We rely on the ability of the shopping centre to anchor tenants, generally large department stores, and on the continuing popularity of shopping centre and tourist locations as shopping destinations to attract high levels of consumer traffic. We cannot control the development of new shopping malls nor the closure of existing malls, the addition or loss of anchors and co-tenants, the availability or cost of appropriate locations within existing or new shopping malls or the desirability, safety or success of shopping malls. The pandemic accelerated a trend that has been occurring for years of consumers shifting behavior to increasingly purchase products from online merchants rather than traditional brick-and-mortar stores. While we had significant growth in our e-commerce sales and continue with initiatives intended to develop and strengthen our online business, the majority of our sales are generated from our physical store locations. Consumer traffic may also be reduced due to factors such as the economy, civil unrest, actual or threatened acts of terrorism to shopping locations, the impact of weather or natural disasters or a decline in consumer confidence resulting from international conflicts or war. A decrease in consumer traffic could have an adverse effect on our financial condition and profitability.

Since purchases of our merchandise are dependent upon discretionary spending by our guests, our financial performance is sensitive to changes in overall economic conditions that affect consumer spending. Consumer spending habits are affected by, among other things, prevailing economic conditions, inflation, levels of employment, salaries and wage rates, consumer confidence and consumer perception of economic conditions. A slowdown in the North American or European economies or in the economies of the countries in which our franchisees and third-party retail partners operate or uncertainty as to the economic outlook could reduce discretionary spending or cause a shift in consumer discretionary spending to other products. For example, the potential adverse effects across geographies of COVID or future pandemics, inflation, and geopolitical conflicts could result in lower net retail sales and could also result in excess inventories, which could, in turn, lead to increased merchandise markdowns and related costs associated with higher levels of inventory and adversely affect our liquidity and profitability. In addition, economic uncertainty can affect the credit and capital markets and our financial condition which may affect our ability to access capital resources under our credit agreement. The amount available for borrowing could be restricted under our agreement if the amount of assets used to calculate the borrowing base (specified percentages of eligible credit card receivables, eligible inventory, and, under certain circumstances, eligible foreign in-transit inventory and, in the discretion of the agent, eligible receivables) decrease. Inflation impacted our business operations throughout fiscal 2021 and began to have an adverse impact on our business in the fourth quarter of this year, mainly in freight and other supply chain related costs. Although we took actions to mitigate these pressures, such as strategic price increases on highly sought-after products and accelerated purchases of inventory, there can be no assurance that we will be able to continue these actions or that they will be successful in the future. We expect the inflationary pressures experienced at the end of fiscal 2021 to continue into fiscal 2022. We may need to adjust prices further to mitigate the impacts of changes to the rate of inflation during 2022 or in future years.

Moreover, these inflationary pressures have caused, and are expected to continue to cause, significant increases in the costs of other products which are required by consumers, such as gasoline, home heating and cooling fuels, or groceries, which in turn is likely to reduce household spending on the types of discretionary products and entertainment we offer. Weakened economic conditions, lowered employment levels or recessions in any of our major markets may also significantly reduce consumer purchases of our products. Economic conditions may also be negatively impacted by terrorist attacks, wars, and other conflicts, such as the current Russia-Ukraine conflict, as well as natural disasters, increases in commodity prices or labor costs, or the prospect of such events. Such a weakened economic and business climate, as well as consumer

Strategic Report (continued)

uncertainty created by such a climate, could harm our revenues and profitability. The Russia-Ukraine conflict has had a limited direct impact on our ability to trade but the significant increases in energy prices faced by the UK due to the reduction in gas supplies to European countries will lead to higher electricity costs for our stores, webstore and third-party business partners leading to an increase in operating costs in FY22 compared to FY21. Additionally, our customers are also experiencing increases in their household energy costs potentially causing a reduction in their disposable income and may lead them to be less inclined to spend in our stores or online.

Our success and profitability not only depend on consumer demand for our products, but also on our ability to produce and sell those products at costs which allow us to make a profit. Whether due to inflation or other factors, rising petroleum and material prices, increased transportation and shipping costs, and increased labor costs in the markets in which our products are manufactured and sold all may further increase the costs we incur to produce and transport our products, which in turn may reduce our margins, reduce our profitability, and harm our business, in particular if we are unable to further adjust prices beyond what we have been able to do in fiscal 2021, as discussed above.

We continue to update and evaluate our marketing initiatives, which are focused on building our brand, sharing relevant product news, executing timely promotions and adapting to rapidly changing consumer preferences. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our integrated marketing and advertising programs, access to leading entertainment relationships resulting in licensing relationships in a profitable manner and future marketing and advertising efforts that we undertake.

The profitability of our business depends to a certain degree upon the price of petroleum products, both as a component of the transportation costs for delivery of inventory from our vendors to our stores and as a raw material used in the production of our plush products and stuffing. Volatility in petroleum prices can be due to many external factors that are beyond the Company's control including political, environmental, and economic factors such as hostilities or other conflicts in oil producing areas (including the current Russia-Ukraine crisis), limitations and/or disruptions in refining and pipeline capacity, and worldwide demand for petroleum. We are unable to predict what the price of crude oil and the resulting petroleum products will be in the future. We may be unable to pass along to our customers the increased costs that would result from higher petroleum prices. Therefore, any such increase could have an adverse impact on our business and profitability.

We believe that our success depends in large part upon our ability to continue to attract new and repeat guests with our interactive shopping experience, and our ability to anticipate, gauge and respond in a timely manner to changing consumer preferences, such as online buying, and fashion trends including licensed relationships. We cannot be certain that there will continue to be a demand for our "make-your-own stuffed animal" interactive experience, including our store design and brand appearance, or for our stuffed animals, related apparel and accessories. A decline in demand for our interactive shopping experience, our stuffed animals, related apparel or accessories, or a misjudgment of consumer preferences, fashion trends or the demand for licensed products, including those that are associated with new movie releases, could have a negative impact on our business, financial condition and results of operations. In addition, due to COVID, we modified our interactive shopping experience in order to comply with social distancing guidelines and sanitation practices, which could have a negative impact on the appeal of our interactive shopping experience. Conversely, if we either do not modify our experience to a sufficient degree to address safety concerns relative to social distancing, masking or other remediation, or alternatively relax our remediation procedures more quickly than our customers desire, the perception that we are not adequately addressing these concerns may adversely affect our brand.

Strategic Report (continued)

Our future success depends, in part, on the popularity and consumer demand for brands of licensors such as Disney, NBCUniversal, Lucasfilm, Warner Bros., and Nintendo. If we are not able to meet our contractual commitments or are unable to maintain licensing agreements with key brands, our business would be adversely affected. There can be no certainty that our access to licensed brands will continue to be successful or enable us to maintain high levels of sales in the future and the timing of future entertainment projects may not coincide with the timing of previous successes impacting our ability to maintain sales levels. In addition, if we miscalculate the market for our merchandise or the purchasing preferences of our guests, we may be required to sell a significant amount of our inventory at discounted prices or even below costs, thereby adversely affecting our financial condition and profitability.

The retail business continues to rapidly evolve and consumers increasingly embrace digital shopping. As a result, the portion of total consumer expenditures with retailers occurring through digital platforms is increasing and the pace of this increase could continue to accelerate.

Our strategy, which includes investments in e-commerce platforms, digital technology, and other consumer initiatives, may not adequately or effectively allow us to continue to grow our e-commerce business, increase sales, and grow our position in the specialty retail and gifting and collectibles markets such as adult to adult gifting (e.g. HeartBox), adult driven affinity (e.g. The Bear Cave), and occasion gifting (e.g. graduation, Valentine's Day) which is in addition to our historically core consumer base of adult to children gifting. The success of our strategy will depend on our ability to continue building and delivering a seamless omnichannel shopping experience for our customers. With an increasing allocation of capital expenditures focused on digital initiatives, our failure to successfully execute on individual components of this strategy may adversely affect our financial performance. In addition, a greater concentration of e-commerce sales could result in a reduction in the amount of traffic in our stores and materially adversely affect our financial performance.

Our operations are subject to numerous technology related risks, including risks related to the failure of the computer systems that operate our point of sale and inventory systems, websites and mobile sites and their related support systems. We engage key third-party business partners to support various functions of our business, including, but not limited to, information technology, web hosting and cloud-based services. We, and those third-party businesses that support us, are also subject to risks related to computer viruses, telecommunications failures, and similar disruptions. Also, we may require additional capital in the future to sustain or grow our technological infrastructure and digital commerce capabilities.

Business risks related to technology and digital commerce include risks associated with the need to keep pace with rapid technological change, internet security risks, risks of system failure or inadequacy, governmental regulation and legal uncertainties with respect to the internet, and collection of sales or other taxes by additional states or foreign jurisdictions. If any of these risks materialize, it could have a material adverse effect on our business. Further, as our online sales have increased and have become critical to our growth, the risk of any interruption of our information technology system capabilities is heightened.

We purchase the majority of our merchandise directly from manufacturers in foreign countries, primarily in China and Vietnam. Any event causing a disruption of imports, including the imposition of import restrictions, taxes or fees, or labor strikes or lockouts and pandemics, could adversely affect our business. For example, our vendors in China and Vietnam were temporarily closed for periods of time in 2020 and 2021 as a result of COVID, ceasing production of inventory and supplies. The flow of merchandise from our vendors could also be adversely affected by financial or political instability in any of the countries in which the goods we purchase are manufactured, if the instability affects the production or export of merchandise from those countries. We are subject to trade restrictions in the form of tariffs or quotas, or both, applicable to the products we sell as

Strategic Report (continued)

well as to raw material imported to manufacture those products. Such tariffs or quotas are subject to change.

Our compliance with the regulations is subject to interpretation and review by applicable authorities. Change in regulations or interpretation could negatively impact our operations by increasing the cost of and reducing the supply of products available to us. In addition, decreases in the value of the U.S. dollar against foreign currencies, particularly the Chinese renminbi and Vietnamese dong, could increase the cost of products we purchase from overseas vendors. The pricing of our products in our stores may also be affected by changes in foreign currency rates and require us to make adjustments that would impact our revenue and profit in various markets. Additionally, because most of our foreign subsidiaries buy their inventory in U.S. dollars, we are also exposed to risk when their functional currencies fluctuate relative to the U.S. Dollar. Our business in the U.K. may be adversely impacted by ongoing uncertainty, fluctuations in currency exchange rates, changes in trade policies, or changes in labor, immigration, tax, data privacy or other laws. Any of these effects, among others, could materially and adversely affect our business, results of operations, and financial condition.

On behalf of the Board

DocuSigned by:

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Vojin Todorovic
Director

6th January 2023
....
Date

Directors' Report

The directors present their annual report and the audited financial statements for the 52 week period ended 29 January 2022. Where matters have been documented within the Strategic Report we have not duplicated in the Directors' Report.

Directors of the company

The directors who served the company during the period and up to the date of this report are as follows:

S John
V Todorovic
E Fencl

Directors' liabilities

Build-a-Bear Workshop Inc. has arranged insurance cover in respect of legal action brought by third parties against the directors of the company subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report. Neither the insurance nor the indemnity provides cover in situations where a director has acted fraudulently or dishonestly.

Future developments

The company is looking to expand its appeal with emphasis on maximising the consumer base by expanding to gift givers and affinity consumers via stores and e-commerce. The company will continue to monitor its estate to meet the changing consumer behaviours. This will involve taking advantage of lease re-gears tabled by landlords, closure of non profitable stores and identifying opportunities for new stores (mainly on short term leases).

Results and dividends

The profit for the 52 week period after taxation amounted to £1,363,000 (52 week period ended 30 January 2021 – profit of £4,196,000). The directors do not recommend a final dividend (52 week period ended 30 January 2021 – £nil).

Going concern

Build-A-Bear Workshop UK Limited is in a net current liability position. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to 31 January 2024 as the company's ultimate parent, Build-A-Bear Workshop Inc., has provided a letter of support to ensure the company is able to meet its liabilities as and when they fall due for a period to 31 January 2024. In addition, Build-A-Bear Workshop Inc. has agreed to assist Build-A-Bear Workshop UK Limited through FY2022 by providing support payments to assist with the profitability of the business if required.

The directors have made appropriate and sufficient enquiries to satisfy themselves that the ultimate parent company can provide the stated support and, accordingly, these financial statements have been prepared on the going concern basis.

Employee involvement

The company recognises the need to effectively engage with employees through regular internal communications relating to the business performance, promotion activity, objectives and other relevant information. Build-A-Bear Workshop UK Limited obtains feedback from its staff.

Directors' Report (continued)

Disabled employees

The company gives full consideration to applications for employment from disabled people, where they adequately fulfil the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy whenever practicable to provide continuing employment under the company's terms and conditions and to provide training and career development whenever appropriate.

Greenhouse Gas Emissions

	FY21 UK & Ireland	FY2020 (base year) UK & Ireland
Emissions from combustion of gas (Scope 1)	n/a	n/a
Emissions from combustion of fuel for transport purposes (Scope 1)	n/a	n/a
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	10.9	9.3
Emissions from purchased electricity (Scope 2, location-based)	332.9	362.9
Total gross CO_2e based on above	343.8	372.2
Intensity ratio: tCO_2e per sqm of gross store area	0.05	0.05

tonnes CO_2e

The company has used the UK Government GHG Conversion Factors for Company Reporting as the method to quantify and report greenhouse gas emissions. They have been reported in line with the UK Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance'.

The company's total energy use for fiscal year 2021 was 1,427,866 kWh. The Scope 2 electricity data was obtained from the electricity supplier to each location. The Scope 3 business travel data was calculated by assessing all mileage claims submitted on employee expense claims.

The intensity ratio was chosen as the most appropriate for the company to use in the retail sector. The company recognises that its operations have an environmental impact and is committed to minimising our emissions from our store and webstore operations, however for both fiscal year 2020 and 2021, the emissions are lower due to the temporary closure of our stores due to Covid-19 lockdowns and the closure of seven stores during fiscal year 2021. Future targets for our emissions will be set once data for a full year of stores trading without lockdown restrictions becomes available.

The company has implemented the recommendations from its latest ESOS Phase II Report in order to reduce energy usage. The company has reviewed each stores timing schedules controlling heating and air conditioning, and the lighting in stores is updated to LED lighting as bulbs and light fittings require replacement.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Report (continued)

COVID-19 pandemic

As described elsewhere in this Report, the COVID-19 pandemic during the first half of 2021 continued to have far-reaching adverse impacts on many aspects of our operation, directly and indirectly, including our people, consumer behaviour, distribution, our suppliers, and the market generally.

Since our stores reopened from mid-April 2021 we have seen a decline in footfall but an increase in the average spend per customer. This trend has continued into 2022 with our customers wanting to have an in-store experience. We anticipate that our customers shopping behaviours will continue to evolve as each customer chooses how they wish to engage with our brand. We have invested in our infrastructure and initiatives over the last few years which have improved our results and we expect to continue to do so through the rest of 2022 and beyond.

Events after Balance Sheet date

The Russia-Ukraine conflict has had a limited direct impact on our ability to trade from our stores or webstore but the significant increases in energy prices faced by the UK due to the reduction in gas supplies to European countries will lead to higher electricity costs for our stores, webstore and third-party business partners leading to an increase in operating costs in FY22 compared to FY21.

Additionally, our customers are also experiencing increases in their household energy costs potentially causing a reduction in their disposable income and may lead them to be less inclined to spend in our stores or online.

Auditors

In accordance with s485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

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Vojin Todorovic
Director

6th January 2023

Date

Statement of directors' responsibilities
For the 52 week period ended 29 January 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concem basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

To the members of Build-A-Bear Workshop UK Limited

Opinion

We have audited the financial statements of Build-A-Bear Workshop UK Limited for the 52-week period ended 29 January 2022 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 29 January 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 January 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report (continued)

To the members of Build-A-Bear Workshop UK Limited

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a

Independent auditor's report (continued)

To the members of Build-A-Bear Workshop UK Limited

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", Companies (Miscellaneous Reporting) Regulation 2018, Bribery Act 2010 and Money Laundering regulations, those laws and regulations relating to health and safety and employee matters and relevant tax compliance regulations in the jurisdictions in which the Company operates).
- We understood how the company is complying with those frameworks by making enquires of management and those responsible for legal and compliance procedures, including the Board of Directors. We corroborated our enquires through the review of the following documentation:
    - all minutes of board meetings held during the period;
    - the company's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations; and
    - any relevant correspondence with local tax authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company established to address risks identified by the company or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level controls and policies that the company applies.
- Based on the results of our risk assessment we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved testing of journal entries, with a focus on journals indicating large or unusual transactions or meeting our defined risk criteria based on our understanding of the business and review of legal correspondence.
- In addition, we assessed that revenue was a judgemental area of the audit which might be more susceptible to fraud. We obtained an understanding of the controls over the process for the recognition of revenue and tested in particular the occurrence of revenue recorded in the financial statements and any manual adjustments to the revenue.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report (continued)

To the members of Build-A-Bear Workshop UK Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Neil Corry (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 10 January 2023

Income statement

for the 52 week period ended 29 January 2022

	Notes	*52 week period ended 29 January 2022* £000	*52 week period ended 30 January 2021* £000
Turnover	3	37,623	25,338
Cost of sales		(12,403)	(3,713)
Gross profit		25,220	21,625
Selling and distribution costs		(22,158)	(20,899)
Fixed asset impairment reversal/(expense)		140	(128)
Onerous lease reversal		597	3,268
Foreign exchange (loss)/gain		(212)	392
Intercompany receivable impairment		(27)	(282)
Intercompany management fee		(559)	(351)
Administrative expenses		(2,920)	(2,306)
Operating profit	4	81	1,319
Interest receivable and similar income	7	1	30
Interest payable and similar expense	8	(5)	-
Other income	9	1,286	2,470
Profit on ordinary activities before taxation		1,363	3,819
Taxation credit	10	-	377
Profit for the financial period		1,363	4,196

All amounts relate to continuing activities.

The notes on pages 23 to 39 form part of these financial statements.

Statement of comprehensive income

There are no recognised gains or losses other than the profit of £1,363,000 in the 52 week period ended 29 January 2022 (52 week period ended 30 January 2021: profit of £4,196,000).

Statement of financial position

at 29 January 2022

	Notes	29 January 2022 £000	30 January 2021 £000
Fixed assets			
Intangible assets	11	84	130
Tangible assets	12	1,509	1,882
Long term deposits		185	65
Investments	13	2,457	2,457
		4,235	4,534
Current assets			
Stocks	14	7,027	5,342
Debtors	15	2,425	2,672
Cash at bank and in hand		1,706	7,795
Total current assets		11,158	15,809
Creditors: amounts falling due within one year	17	(25,995)	(32,548)
Short term provisions	16	(105)	(206)
Total current liabilities		(26,100)	(32,754)
Net current liabilities		(14,942)	(16,945)
Total assets less current liabilities		(10,707)	(12,411)
Creditors: amounts falling due after more than one year	18	(1,123)	(1,532)
Long term provisions	16	-	(496)
Total non-current liabilities		(1,123)	(2,028)
Net liabilities		(11,830)	(14,439)
Capital and reserves			
Called up share capital	20	40	40
Share premium account	21	3,978	3,978
Other reserve	21	49	49
Profit and loss account	21	(15,897)	(18,506)
Shareholder's deficit	22	(11,830)	(14,439)

The notes on pages 23 to 39 form part of these financial statements.

The financial statements on pages 20 to 39 were approved and authorised by the board and were signed on its behalf by Vojin Todorovic on 6th January 2023.

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Vojin Todorovic
Director

6th January 2023

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Date

Statement of changes in equity

at 29 January 2022

	Called up share capital £000	*Share premium account £000*	*Other reserves £000*	*Profit and loss account £000*	*Total deficit £000*
Balance as at 2 February 2020	40	3,978	49	(22,702)	(18,635)
Profit for the financial period	-	-	-	4,196	4,196
Balance as at 30 January 2021	40	3,978	49	(18,506)	(14,439)

	Called up share capital £000	*Share premium account £000*	*Other reserves £000*	*Profit and loss account £000*	*Total deficit £000*
Balance as at 31 January 2021	40	3,978	49	(18,506)	(14,439)
Profit for the financial period	-	-	-	1,363	1,363
Intercompany payable forgiven	-	-	-	1,246	1,246
Balance as at 29 January 2022	40	3,978	49	(15,897)	(11,830)

The notes on pages 23 to 39 form part of these financial statements.

Notes to the financial statements

at 29 January 2022

1. Accounting policies

Statement of compliance and basis of preparation

Build-A-Bear Workshop UK Limited is a limited liability company incorporated and domiciled in England. The registered office is Aquasulis House, 10-14 Bath Road, Slough, Berkshire, United Kingdom, SL1 3SA.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements have been prepared on a going concern basis.

The company has taken advantage of section 390 of the Companies Act 2006 which allows a variation of the accounting period reference date of up to seven days. The financial statements are made up to the nearest Saturday to 31 January that is 29 January 2022 and the comparative period to 30 January 2021, so as to coincide with the ultimate holding company, Build-A-Bear Workshop, Inc.

The functional currency of Build-A-Bear Workshop UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Build-A-Bear Workshop UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate company financial statements under FRS 102 section 1.12 in relation to:

- Requirements of section 26 for share based payments
- Disclosure of related party transactions with and between wholly-owned subsidiaries
- Requirements of section 11 for financial instruments
- presentation of a cash flow statement and
- remuneration of key management personnel.

Build-A-Bear Workshop UK Limited is consolidated in the financial statements of its ultimate parent, Build-A-Bear Workshop, Inc., details of where these can be obtained are documented in note 27.

Going concern

Build-A-Bear Workshop UK Limited is in a net current liability position. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to 31 January 2024 as the company's ultimate parent, Build-A-Bear Workshop Inc., has provided a letter of support to ensure the company is able to meet its liabilities as and when they fall due for a period to 31 January 2024. In addition, Build-A-Bear Workshop Inc. has agreed to assist Build-A-Bear Workshop UK Limited through FY2022 by providing support payments to assist with the profitability of the business if required.

The directors have made appropriate and sufficient enquiries to satisfy themselves that the ultimate parent company can provide the stated support and, accordingly, these financial statements have been prepared on the going concern basis.

Notes to the financial statements (continued)

at 29 January 2022

1. Accounting policies (continued)

Related party transactions

As the company is a wholly owned subsidiary of Build-a-Bear Workshop Inc., the company has taken advantage of the exemption contained in section 33 of FRS102 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the income statement, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Intangible fixed assets

Intangible fixed assets are measured at cost less accumulative amortisation and any accumulative impairment losses. The company's intangible assets are amortised on a straight-line basis over their predicted economic useful life up to 7 years. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators that the residual value or useful life of an intangible asset has changed since the most annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset operate as intended. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short term leasehold property improvements	– over the term of the lease, up to 10 years straight line
Fixtures, fittings and equipment	– over the term of the lease, up to 7 years straight line
Computer equipment	– up to 5 years straight line
Assets in course of construction	– depreciated once brought into use.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements (continued)

at 29 January 2022

1. Accounting policies (continued)

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment where, in the opinion of the directors, there has been a diminution in the value of the investments.

The carrying value of the investments are reviewed for impairment when the events or changes in circumstances indicate the carrying values may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. All stocks represent finished goods. The carrying amount of stock sold is recognised as an expense in the period in which the related revenue is recognised.

Short term debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current period. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

Deferred taxation is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Provisions

Provisions (i.e. liabilities of uncertain timing or amount) are recognised when there is a legal or constructive obligation at the reporting date as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the financial statements (continued)

at 29 January 2022

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction.

At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to the income statement.

Leased assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Pensions

The pension cost represents contributions payable by the company in the period to the individual defined contribution employee pension plans.

Share-based payments

As at 29 January 2022, there were 30,167 outstanding share options in the company's ultimate parent undertaking that had been issued to company employees (as at 30 January 2021, there were 30,395). As the number of unexercised share options in existence at the statement of financial position date is not considered material for the financial statements, further disclosure has not been included in the financial statements. Additionally, no adjustment has been made to include a fair value expense over the vesting period in either the current or prior year as such amounts are not material.

Store pre-opening cost

Store pre-opening expenses consist of costs incurred prior to store openings, remodels and relocations including certain store set-up, labour and hiring costs, rental charges, payroll, marketing, travel and relocation costs. They are charged to the Income statement as incurred.

Royalty revenue

The company collects royalties from each retail franchise based on a percentage of retail store sales. The company recognises royalties on an accruals basis in line with franchisee sales.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on exchange of payment for the good in store, or on delivery of the goods from E-commerce. Revenue is measured at the fair value of the consideration

Notes to the financial statements (continued)

at 29 January 2022

1. Accounting policies (continued)

received, net of discounts, VAT and other sales taxes or duty. Revenue from gift cards is recognised at the time of redemption.

Outstanding loyalty scheme discounts are also included in revenue and recognised at the time of exemption or upon expiry of the gift card. Revenue from gift cards without an expiry date are recognised based on probability of redemption for those not yet redeemed at year end.

Plastic gift cards are sold in stores, on the webstore both plastic and electronic gift cards are sold which are redeemed against products sold. At various times during the year these gift cards will be sold at lower than face value as part of sales promotions, the full value of the liability is recorded at the date of gift card purchase. The relevant discount is recorded as an expense on the date the gift card is redeemed against products sold in BABW stores or webstore.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in Note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty are as below:

<u>Onerous lease provision:</u>

All store leases are reviewed at year end, and forecasts are prepared based upon current long range plans to determine which stores are at risk of generating future losses over the remaining life of the lease. Where an overall cash loss is expected, a store specific discounted cash flow is calculated through to the nearest break clause or lease expiry. If a negative discounted cash flow is forecast that lease is deemed onerous and an onerous lease provision recorded for contracted rent costs which are not expected to generate future economic benefits.

<u>Fixed asset impairment:</u>

Each store is considered to be a cash generating unit and projections of expected future performance are applied to historic earnings to judge whether the fixed assets of that store should be impaired. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. In accordance with FRS 102 section 27, we have calculated and booked fixed asset impairment where future discounted cash flows are not expected to exceed the net book value of fixed assets held in unprofitable stores or where a lease has been terminated and the associated fixed assets are considered to have no remaining value.

<u>Valuation of stock:</u>

In assessing the realisable value of stock, the company is required to make judgements on future demand compared with existing stock levels. Stock relates solely to finished goods which encompass the elements of the bear which are combined to make the finished product for sale. These are held at average cost based on previous 3 months purchases. Section 13 of FRS 102 requires that stocks be measured at the lower of cost and net realisable value.

Notes to the financial statements (continued)

at 29 January 2022

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Duty receivable:

The company has received a decision in June 2022 from The Court of Appeal in relation to disputed duty paid on imported plush toy clothing, parts and accessories dating back to 2009. The Court of Appeal rejected Build-A-Bear Workshop UK Limited appeal and Build-A-Bear Workshop UK Limited have decided to appeal this decision at The Supreme Court. The company continues to record a provision against the duty receivable balance based on historic repayment trends projected against subsequent duty paid to HMRC.

Deferred tax assets:

Under FRS 102.29.6 and 102.29.7, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Deferred taxes are utilised within the year to reduce the company's taxable income.

Allowance for doubtful debt:

Management applies judgment in evaluating the recoverability of debtors. This judgment is based on the ageing profile of debtors and historical experience. To the extent that the directors believe debtors not to be recoverable they have been provided for in the financial statements.

3. Turnover

Turnover represents the amounts derived from the provision of goods which fall within the principal activity of the company, stated net of value added tax.

Turnover by activity	*52 week period ended 29 January 2022* *£000*	*52 week period ended 30 January 2021* *£000*
Retail sales	27,882	14,957
E-commerce	9,552	10,330
Royalty revenue	189	51
	37,623	25,338

Notes to the financial statements (continued)

at 29 January 2022

3. Turnover (continued)

Source of turnover	*52 week period ended 29 January 2022* *£000*	*52 week period ended 30 January 2021* *£000*
United Kingdom & Ireland	37,434	25,287
International	189	51
	37,623	25,338

4. Operating profit

This is stated after charging/(crediting):

	52 week period ended 29 January 2022 *£000*	*52 week period ended 30 January 2021* *£000*
Auditors' remuneration – audit of these financial statements	44	40
Depreciation of fixed assets	554	674
Operating lease rentals – land and buildings	6,743	6,417
Loss on disposal of fixed assets	40	26
Impairment of fixed assets (reversal)/expense	(140)	128
Onerous lease (reversal)	(597)	(3,268)
Amortisation of intangible assets	104	82
Foreign exchange loss/(gain)	212	(392)

The auditors did not provide any non-audit services to the company during the periods ended 29 January 2022 and 30 January 2021.

5. Directors' remuneration

	52 week period ended 29 January 2022 *£000*	*52 week period ended 30 January 2021* *£000*
Aggregate remuneration in respect of qualifying services	74	69
Aggregate amounts receivable under long term incentive plans	166	114
Company pension contributions to defined contribution schemes	1	1

Notes to the financial statements (continued)

at 29 January 2022

5. Directors' remuneration (continued)

The directors' remuneration is borne by the parent undertaking Build-A-Bear Workshop Inc., and is included within the total directors' remuneration disclosed in the financial statements of Build-A-Bear Workshop Inc. It is estimated that the directors spend between 5% and 13% of their time on services to Build-A-Bear Workshop UK Limited. Build-A-Bear Workshop Inc. has appointed three directors for periods ended 29 January 2022 and 30 January 2021.

All three Directors have been accruing pension contributions for periods ended 29 January 2022 and 30 January 2021.

No director exercised share options in Build A Bear Workshop Inc. for periods ended 29 January 2022 (2021:none).

Remuneration earned by highest paid director:

	52 week period ended 29 January 2022	*52 week period ended 30 January 2021*
	£000	*£000*
Aggregate remuneration in respect of qualifying services	35	25
Aggregate amounts receivable under long term incentive plans	61	50

6. Staff costs

	52 week period ended 29 January 2022	*52 week period ended 30 January 2021*
	£000	*£000*
Wages and salaries	6,876	6,001
Social security costs	421	381
Other pension costs	209	167
	7,506	6,549

No new share options in the company's ultimate parent undertaking were issued to company employees in the period (no share options in the 52 week period ended 30 January 2021).

The average monthly number of employees (including directors) during the period was made up as follows:

	52 week period ended 29 January 2022	*52 week period ended 30 January 2021*
Selling and distribution	631	685
Administration	16	18
	647	703

Notes to the financial statements (continued)

at 29 January 2022

7. Interest receivable and similar income

	52 week period ended 29 January 2022	*52 week period ended 30 January 2021*
	£000	*£000*
Interest receivable on cash deposits	1	5
Interest receivable on intercompany balances	-	25
	1	30

8. Interest payable and similar expense

	52 week period ended 29 January 2022	*52 week period ended 30 January 2021*
	£000	*£000*
Interest payable on taxes	5	-
	5	-

9. Other Income

	52 week period ended 29 January 2022	*52 week period ended 30 January 2021*
	£000	*£000*
Government Grants	1,286	2,470
	1,286	2,470

Income from government grants as a result of the COVID-19 pandemic have been recognised in other income. The Company has received government assistance for our operations in United Kingdom and Republic of Ireland. The Company benefited from the Job Retention Scheme and Business Restart Grant Scheme (United Kingdom), Temporary Wage Subsidy Scheme and Employment Wage Subsidy Scheme (Republic of Ireland).

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. If conditions are attached to the grant which must be satisfied before the Company is eligible to receive the funds, the recognition of the grant revenue has been deferred until those conditions are satisfied.

Notes to the financial statements (continued)

at 29 January 2022

10. Taxation credit

(a) Tax on profit on ordinary activities

Analysis of the charge in the period:	*52 week period ended 29 January 2022* *£000*	*52 week period ended 30 January 2021* *£000*
Current tax:		
UK corporation tax on profit for the period at 19.00% (52 week period ended 30 January 2021: 19.00%)	-	-
Adjustments in respect of prior periods	-	(377)
Total current tax credit	-	(377)
Deferred tax:		
Total deferred tax	-	-
Tax credit charge on profit on ordinary activities	-	(377)

Notes to the financial statements (continued)

at 29 January 2022

10. Taxation credit (continued)

(b) Factors affecting the current tax credit for the period

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19.00% (52 week period ended 30 January 2021: 19.00%). The differences are reconciled below:

	52 week period ended 29 January 2022	*52 week period ended 30 January 2021*
	£000	*£000*
Profit on ordinary activities before tax	1,363	3,819
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (52 week period ended 30 January 2021: 19.00%)	259	726
Effects of:		
Fixed assets capital allowances – other adjustments	44	30
Expenses not deductible for tax purposes	28	82
Amounts relating to other comprehensive income	(9)	(46)
Adjustments from previous periods	-	(377)
Effect of changes in tax rates	(704)	(356)
Income not taxable	(27)	-
Effects of group relief/ other relief	10	-
Deferred tax not recognised	391	(455)
Foreign PE exemption	8	19
Current tax for the period (note 10(a))	-	(377)

(c) Factors that may affect future tax charges

From April 2020 there has been a single 19% rate of corporation tax. On 3 March 2021, the Chancellor of the Exchequer announced that the Corporation Tax rate will increase to 25% from 1 April 2023. At the same time, a small companies' rate of 19% will be introduced and marginal relief given for intermediate companies. The main rate applies to companies with profits over £250,000; the small companies' rate to those with profits of £50,000 or less, with marginal tapering for profits in between the thresholds.

Notes to the financial statements (continued)

at 29 January 2022

11. Intangible fixed assets

	Computer Software £000	*Total £000*
Cost:		
At 31st January 2021	319	319
Transfer from tangible fixed assets	58	58
Disposals	-	-
At 29 January 2022	377	377
Accumulated Amortisation:		
At 31 January 2021	189	189
Charge for the period	104	104
Disposals	-	-
At 29 January 2022	293	293
Net Book Value:		
At 29 January 2022	84	84
At 31 January 2021	130	130

12. Tangible fixed assets

	Leasehold improvements £000's	*Furniture, fittings and equipment £000's*	*Computer equipment £000's*	*Assets in course of construction £000's*	*Total £000's*
Cost:					
At 31 January 2021	9,240	1,929	863	107	12,139
Additions	-	-	-	137	137
Transfers	31	2	122	(155)	-
Transfer to intangible assets	-	-	(58)	-	(58)
Disposals	(734)	(139)	(144)	-	(1,017)
At 29 January 2022	8,537	1,792	783	89	11,201
Accumulated depreciation/Impairment:					
At 31 January 2021	7,910	1,858	489	-	10,257
Depreciation charge for the period	301	90	163	-	554
Reversal of impairment	(80)	(16)	(44)	-	(140)
Disposals	(719)	(140)	(120)	-	(979)
At 29 January 2022	7,412	1,792	488	-	9,692
Net book value:					
At 29 January 2022	1,125	-	295	89	1,509
At 31 January 2021	1,330	71	374	107	1,882

Notes to the financial statements (continued)

at 29 January 2022

12. Tangible fixed assets (continued)

In the event of an indicator of impairment, impairment testing is performed. Each store is considered to be a cash generating unit (CGU) and performance is assessed at this level. Projections of expected future performance are applied to historic earnings of each CGU based on an appropriate growth rate for each store and then discounted over the life of the lease.

13. Investments

	Investment
	£000
Cost:	
At 31 January 2021	2,457
Additions	-
At 29 January 2022	2,457

On 1 August 2019, Build-a-Bear Workshop UK Limited established a limited liability partnership, Build-a-Bear Developments LLP, along with Build-a-Bear Retail Management, Inc. Build-a-Bear UK's investment consisted of the transfer of intellectual property rights of some licensed products. Build-A-Bear Development LLP is incorporated in the United Kingdom. Its principal activity is the holding of intellectual property rights.

14. Stocks

	29 January 2022	*30 January 2021*
	£000	*£000*
Finished goods	7,027	5,342

The difference between purchase price of stocks and their replacement cost is not material.
The amount of stocks recognised as an expense in the current 52 week period is £7,618,000 (52 week period ended 30 January 2021: £5,505,000).

There were no impairment losses recognised or reversed in the profit and loss for the current 52 week period (52 week period ended 30 January 2021: £nil)

15. Debtors: amounts falling due within one year

	29 January 2022	*30 January 2021*
	£000	*£000*
Prepayments and accrued income	1,167	811
Other debtors	1,258	1,861
Amounts due from group undertakings	-	-
	2,425	2,672

Amounts due from group undertakings are interest earning, unsecured and repayable on demand.

Notes to the financial statements (continued)

at 29 January 2022

16. Provision for liabilities

	Onerous leases
	£000
At 31 January 2021	(702)
Additions	(30)
Utilisation of provision	-
Reversal of provision	627
At 29 January 2022	(105)

The provision above reflects onerous leases in the company's property portfolio. The provision reflects unavoidable costs of meeting the obligations of the contract which will exceed the future economic benefit. Future losses to be incurred in relation to the contract are unknown and therefore based on management's best estimate. The provision recorded reflects losses (up to a maximum of present value of rent to be paid) expected to be incurred to the nearest break clause or contract negotiate date.

	29 January 2022	*30 January 2021*
	£000	*£000*
Short term provision to utilise within one year	105	206
Long term provision to be utilised after one year	-	496
	105	702

17. Creditors: amounts falling due within one year

	29 January 2022	*30 January 2021*
	£000	*£000*
Trade creditors	1,791	3,079
Amounts owed to group undertakings	18,320	24,055
Social security and other taxes	579	900
Accruals, deferred rent, deferred revenue and other creditors	5,305	4,514
	25,995	32,548

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements (continued)

at 29 January 2022

18. Creditors: amounts falling due after more than one year

	29 January 2022	*30 January 2021*
	£000	*£000*
Creditors due after one year but before five years		
Deferred Rent – Long term	1,054	1,276
Creditors due after five years		
Deferred Rent – Long term	69	256
	1,123	1,532

19. Deferred taxation

The deferred tax included in the balance sheet is as follows:

	29 January 2022	*30 January 2021*
	£000	*£000*
Deferred tax assets:		
Opening balance	-	-
Deferred tax charge recorded in income statement for the period	-	-
Closing balance	-	-

The company has unrecognised deferred tax asset of £1,135,000 (30 January 2021: £805,000) relating to fixed asset timing differences and short-term timing differences. In addition, the company has trading losses of £7,193,000 (30 January 2021: losses of £9,316,000), all of which are carried forward at a corporation tax rate of 25%. The tax losses are available indefinitely for the offset against future taxable profits. The deferred tax asset is not recognised as the directors deem it is not probable that there will be sufficient future taxable profits which can be used to offset the deferred tax asset.

20. Called up share capital

		29 January 2022		*30 January 2021*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
'A' Ordinary shares of 1p each	2,737,149	27	2,737,149	27
'B' Ordinary shares of 1p each	1,252,307	13	1,252,307	13
		40		40

The "B" ordinary shares are non-voting shares.

An "A" ordinary shareholder and a "B" ordinary shareholder shall be entitled to receive such proportion of the aggregate amount paid by way of dividends as corresponds to the proportion which the number of "A" ordinary shares and/or "B" ordinary shares, as the case may be, held by such shareholder bears to the total number of "A" ordinary shares and "B" ordinary shares in issue at the time that such dividends are paid.

Notes to the financial statements (continued)

at 29 January 2022

21. Movements on reserves

	Other Reserves	*Share premium account*	*Profit and loss account*
	£000	*£000*	*£000*
At 31 January 2021	49	3,978	(18,506)
Profit for the financial period	-	-	1,363
Intercompany payable forgiven	-	-	1,246
At 29 January 2022	49	3,978	(15,897)

22. Reconciliation of shareholder's funds

	£000
Shareholders' funds at 31 January 2021	(14,439)
Profit for the financial period	1,363
Intercompany payable forgiven	1,246
Closing shareholders' funds at 29 January 2022	(11,830)

23. Other financial commitments

At 29 January 2022 the company had outstanding commitments for future minimum lease payments under annual non-cancellable operating leases as set out below:

	Land and buildings	
	29 January 2022	*30 January 2021*
	£000	*£000*
Falling due:		
Not later than one year	5,098	5,738
Later than one year and not later than five years	14,261	18,246
Later than five years	1,705	4,149
	21,064	28,133

Property lease rental payments of £6,743,000 were expensed in the period (52 weeks to 30 January 2021 £6,417,000).

24. Pensions

The company operates defined contribution retirement benefit schemes for all qualifying employees and contributes to NEST pension scheme for other employees. The total expense charged to income statement in the period ended 29 January 2022 was £209,000 (30 January 2021: £167,000). No amounts were outstanding at period end dates 29 January 2022 and 30 January 2021.

Notes to the financial statements (continued)

at 29 January 2022

25. Capital Commitments

The company had no contracted capital commitments at the period end (30 January 2021: £nil).

26. Events after Balance Sheet date

The Russia-Ukraine conflict has had a limited direct impact on our ability to trade from our stores or webstore but the significant increases in energy prices faced by the UK due to the reduction in gas supplies to European countries will lead to higher electricity costs for our stores, webstore and third-party business partners leading to an increase in operating costs in FY22 compared to FY21.

Additionally, our customers are also experiencing increases in their household energy costs potentially causing a reduction in their disposable income and may lead them to be less inclined to spend in our stores or online.

27. Ultimate and immediate parent undertaking and controlling party

The immediate parent undertaking is Build-A-Bear UK Holdings Limited (Registered No. 5651132). Copies of the immediate parent's financial statements can be obtained from:

Aquasulis House
10-14 Bath Road
Slough
Berkshire
United Kingdom
SL1 3SA

The ultimate parent undertaking and controlling party is Build-A-Bear Workshop Inc., a company incorporated in the United States of America. The parent undertaking of the largest and smallest group of undertakings for which group financial statements for the period ended 29 January 2022 are prepared and of which the company is a member is Build-A-Bear Workshop Inc. Copies of the group financial statements are publicly available on our corporate website buildabear.com and can be obtained from:

Build-A-Bear Workshop Inc.

415 South 18th Street

STE 200

St. Louis, MO 63103

United States of America